High Rate of Interest on Bank advances

1963. SHRI SANTOSH BAGRODIA: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that Nationalised banks are charging very high interest rates i.e. upto 30% cent per annum or even more on financial advances;

(b) if so, whether R.B.I. has taken any steps in this connection, particularly, for advances to be made to priority sector; and

(c) if so, what are the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) to (c) Reserve Bank of India (RBI) has reported that several representations/complaints have been received by them from various association, etc. regarding hike in lending rate and also charging of arbitrary interest by banks in respect of advance over Rs. 2 lakhs. RBI advised banks on February 18, 1992 that while they are free to determine the actual lending rates, it is necessary to adopt objective and rational criteria for deciding the range of rate between the minimum lending rate as fixed by the RBI and the actual rates charged to different borrowers. Interest rates on bank deposits are prescribed by RBI taking into consideration, inter-alia, the need for mobilising resources, the rate of interest on other instruments of Savings, the rate of inflation, the lending rate and bank profitability etc. These rates are, however, kept under constant review. With effect from 2nd March, 1992 the lending rate on credit limits of over Rs. 2 lakhs has been reduced by one percentage point, from 20% (minimum) and the banks have already been advised to reduce the rates for all borrowers under this category by a minimum of one percentage point over the rates charged to such borrowers before 2nd March, 1992.

F.Is taken for Ride by unknown Company

1964. SHRI CHATURANAN MISHRA:
SHRI GURUDAS DAS GUPTA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to a news item appearing in the 'Indian Express' of the 8th February, 1992 captioned "Unknown firms takes F.Is. for a ride";

(b) if so, whether any inquiry has been conducted to bring to book the officials who have advanced such a huge amount in rupee as well as foreign currency without proper investigations into the authenticity of the company; and

(c) what are the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) Yes, Sir.

(b) & (c) It has been reported by IFCI, the lead institution, that it is not true that the institutions had sanctioned assistance to an unknown firm without proper appraisal and scrutiny. Eacom's Control India Ltd. (ECIL) had the necessary approvals from Govt. of India in regard to industrial licence, CG clearance, technical collaboration agreements etc. The promoters of ECIL were not unknown parties in as much as they had already established themselves in the relevant field. The technical collaborators viz. Baily Controls Company of USA are a world reputed concern. The decision for sanction of assistance had been taken on the basis of a joint techno-economic study of the proposal and on the collective decision of the participating institutions at the meeting of their Senior Executives.

Since the ECIL incurred losses and failed to meet their obligations to the institutions, the latter have already initiated legal action against ECIL to